

## Message Text

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73

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-07 FRB-03 INR-07

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TO SECSTATE WASHDC 7584

INFO USDOC WASHDC

TO RUEHOT/AMEMBASSY OTTAWA 644

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TAGS: ETRD, EEW, EPAP, EFIN, UR, US, CA

SUBJ: SOVIETS SUGGEST SHIFT OF DOLS 29 MILLION PURCHASE FROM

UNITED STATES TO USE CANADIAN CREDIT

1. SUMMARY: SENIOR SOVIET OFFICIAL IN UNITED STATES SUGGESTED TO CLARK EQUIPMENT THAT FIRM REWRITE QUOTATION FOR LOG STACKERS WORTH DOLS 29 MILLION TO MAKE USE OF CANADIAN EDC CREDITS. FTO OFFICIALS IN MOSCOW LATER DISCLAIMED KNOWLEDGE OF SUGGESTION, HOWEVER. END SUMMARY.

2. FOR MORE THAN SIX MONTHS CLARK EQUIPMENT HAS BEEN ACTIVELY NEGOTIATING WITH V/O PROMMASHIMPORT FOR SALE OF 87 LOG STACKERS (14 MODEL 475'S AND 73 MODEL 275'S) FOR UST'-ILIMSK PULP-PAPER COMPLEX. COMPETITION HAS BEEN HEAVY, BUT CLARK BELIEVES IT HAS INSIDE TRACK DUE TO GOOD RELATIONSHIP WITH FINNISH MANUFACTURE OF RELATED EQUIPMENT. ALTHOUGH PRICE REMAINS OPEN QUESTION, FIRM HAS MADE DOLS 29 MILLION QUOTE ON BASIS OF EXCEPTIONALLY PROTRACTED DELIVERY SCHEDULE DEMANDED BY SOVIETS: 20 PERCENT OF

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MACHINES DELIVERED IN 1978, 30 PERCENT IN 1979 AND 50 PERCENT

IN 1980. CLARK HAD POINTED OUT THAT MACHINES COULD BE SUPPLIED FROM EITHER UNITED STATES OR CANADA, BUT PROMMASH-IMPORT SPECIFIED AMERICAN SOURCING (EXCEPT FOR SOME SEVEN MILLION DOLLARS OF AUXILIARY EQUIPMENT FROM SCANDINAVIA) AND CASH PAYMENT ON DELIVERY.

3. VICTOR BRUSOVANSKY, CLARK'S REPRESENTATIVE FOR USSR, TOLD COMOFF LAST WEEK, HOWEVER, THAT CHAIRMAN GEORGIY SHCHUKIN OF KAMA PURCHASEING COMMISSION CONTACTED CLARK'S NEW YORK OFFICE IN JULY AND ASKED IF COMPANY MIGHT REDRAFE QUOTE ON BASIS OF CANADIAN SOURCING AND EDC CREDITS. SHCHUKIN CLAIMED HE WAS SPEAKING ON BEHALF OF DEPUTY MINISTER OF FOREIGN TRADE V. N. SUSHLOV, THEN IN CANADA WITH MINISTER PATOLICHEV, AND EXPLAINED THAT TIGHTNESS OF SOVIET CASH POSITION PROMPTED QUERY.

4. SHCHUKIN'S APPROACH REPORTEDLY THREW CLARK INTO SOME CONFUSION, FOR SENIOR COMPANY OFFICIALS FELT AGREEMENT HAD BEEN BEEN NEAR AND REQUOTATION WOULD INVOLVE SIGNIFICANT PRICE INCREASES AND LENGTHY NEGOTIATIONS WITH CANADIAN EDC. BRUSOVANSKY ESTIMATED CLARK COULD REASONABLY SOURCE ONLY 40-45 PERCENT OF MACHINE'S VALUE FROM CANADA, AND EVEN THIS PERCENTAGE WOULD DRIVE UP PRICE AS CANADIAN SUPPLIERS MORE EXPENSIVE. MOREOVER, EDC CHARGES WOULD ALSO HAVE TO BE BURIED IN PRICE.

5. BRUSOVANSKY RAISED QUESTION WITH PROMMASHIMPORT LAST WEEK, BUT LOWER LEVEL OFFICIALS HE MET WITH DISCLAIMED KNOWLEDGE OF SHCHUKIN APPROACH AND MAINTAINED THAT QUOTATION BASIS REMAINED UNCHANGED. UNABLE TO REACH HIGHER LEVEL OFFICIALS, BRUSOVANSKY WILL RETURN TO MOSCOW WITH SENIOR CLARK EXECUTIVES WEEK OF AUGUST 23 FOR ANOTHER NEGOTIATING SESSION.

6. COMMENT: IT IS HARD TO UNDERSTAND WHY SOVIETS, KNOWING CLARK COULD QUOTE FROM EITHER AMERICAN OR CANADIAN PLANT, DID NOT INITIALLY ALSO REQUEST PROPOSAL BASED ON EDC CREDITS. IF THEY FINALLY DO SO AT THIS TIME, COST OF RESULTING PACKAGE MAY PROVE TOO HIGH. ALSO, DESPITE STRONG CANADIAN PRESSURE ON SOVIETS TO USE CREDIT LINE, THERE IS NO CERTAINTY THAT EDC WOULD BE WILLING TO SUPPORT SUCH A DEAL WITH LOW CANADIAN CONTENT AND HALF OF CREDIT ACTIVATED ONLY IN 1980.

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